

WORKFORCE OBSERVATIONS

for the Milwaukee/WOW counties

Milwaukee County and Washington, Ozaukee and Waukesha Counties



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Second Quarter 2006

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While Regional Wealth Continues to Grow, Disparities Persist

During the Second Quarter of each year, the Bureau of Economic Analysis (BEA), which is a component of the U.S. Department of Commerce releases its estimates of total personal income, the components of this sum, as well as estimates of per capita personal income, which is simply a ratio of total personal income divided by an estimate of the total population. As we see in the table below, each of the region's four counties reported total and per capita personal income estimates well above

the state and national averages for 2004. Both Ozaukee (\$50,543) and Waukesha (\$43,455) County again reported PCPI estimates that continue to rank among the highest in the state. Similarly, both Washington (\$36,324) and Milwaukee (\$32,380) County reported PCPI estimates that exceed the state average. Similarly, the phenomenal 5-year growth rate experienced in Milwaukee County suggests that the income gap present in the region may be closing.

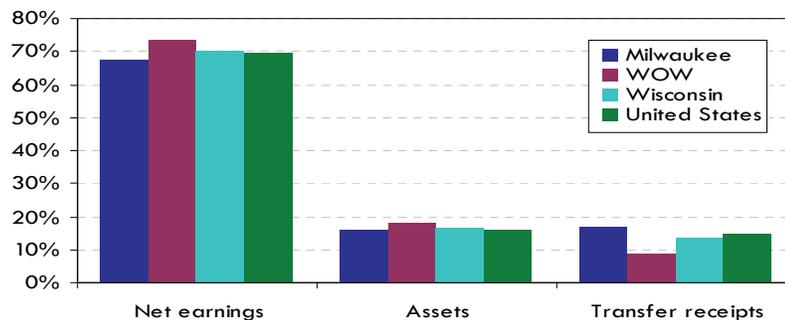
	Total Personal Income (x1000)	Per Capita Personal Income		Percent Change		2004 Rank
	2004	2004	2003	2003-04	1999-04	
Wisconsin	\$177,026,243	\$32,166	\$30,664	4.9%	12.6%	
Metropolitan Wis.	\$135,269,947	\$34,002	\$32,516	4.6%	12.2%	
Non-metro Wis.	\$41,756,296	\$27,378	\$25,840	6.0%	13.8%	
Milwaukee	\$30,008,390	\$32,380	\$31,228	3.7%	14.7%	12
Ozaukee	\$4,331,372	\$50,543	\$47,946	5.4%	9.7%	1
Washington	\$4,518,064	\$36,324	\$34,497	5.3%	8.1%	4
Waukesha	\$16,359,610	\$43,455	\$41,416	4.9%	5.9%	2

Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

In producing these income estimates, BEA considers forms of income, such as assets and investment, and transfer payments that are normally accounted for in more traditional wage and salary estimates. As we can see in the chart below, net earnings, which includes wages, salaries, and sales commissions earnings account for the lion's share of total per-

sonal income, both regionally, but also through the state and nationally. Where the regions distinguish themselves, however, is in the secondary income categories. Specifically, we find that individuals in the WOW WDA report a higher share of income from assets and investments, while a greater share of income in Milwaukee County comes from transfer receipts.

Components of 2004 Total Personal Income

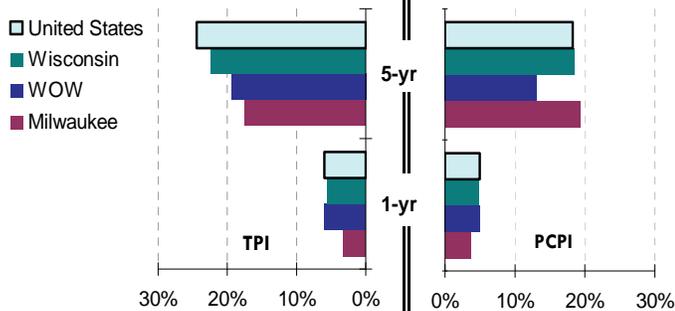


Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

Income and Population Growth Contribute to a Dynamic Regional Economy

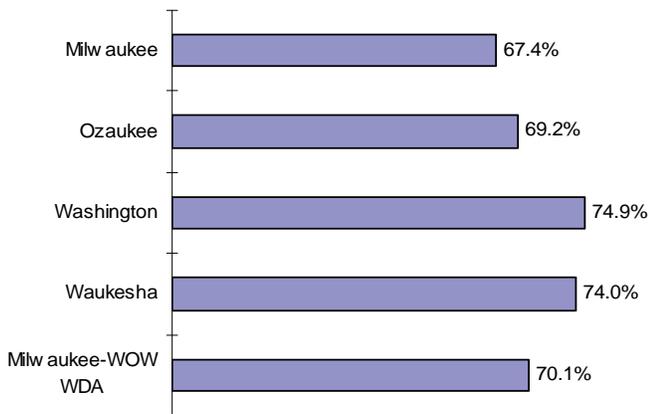
Local Area Personal Income

	Total Personal Income (TPI) in thousands			Per Capita Personal Income (PCPI)		
	2004	2003	1999	2004	2003	1999
Milwaukee	\$30,008,390	\$29,087,194	\$25,533,958	\$32,380	\$31,228	\$27,149
WOW	\$25,209,046	\$23,778,081	\$21,113,079	\$42,978	\$40,913	\$37,992
Wisconsin	\$177,026,243	\$167,785,798	\$144,702,139	\$32,166	\$30,664	\$27,135
United States	\$9,705,504,000	\$9,157,257,000	\$7,796,137,000	\$33,050	\$31,484	\$27,939
Percent Change		1-year	5-year		1-year	5-year
Milwaukee		3.2%	17.5%		3.7%	19.3%
WOW		6.0%	19.4%		5.0%	13.1%
Wisconsin		5.5%	22.3%		4.9%	18.5%
United States		6.0%	24.5%		5.0%	18.3%

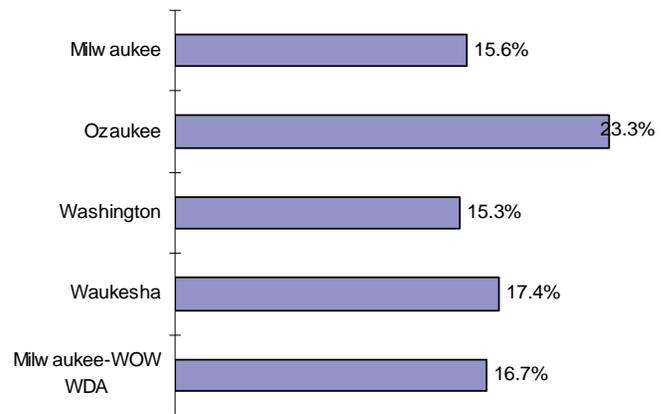


In looking at the progression of personal income growth over the course of the past several years, a number of particularly salient trends become readily apparent. First, the ongoing positive income growth in the region from 1999-2004 suggests that, as a whole the region did not suffer greatly from either the dot.com bust of the late 1990's or the lingering effects of the recession of 2001-2003, which resulted in a number of significant industry and employment shifts, particularly in the region's manufacturing base. This being said, however, we see that total and per capita growth in both the Milwaukee and WOW WDA's over this period appears rather sluggish as compared to the state and nation. While the low one and five-year per capita income growth rates in the WOW WDA can be attributed to a combination of already high income levels and a growth population, the meager one and five-year total personal income growth rates in Milwaukee County are a bit harder to explain. One of the likely suspects is the high concentration of transfer receipts in the county, but this is not the only possible cause.

Net earnings as a share of income



Dividends, interest & rent as a share of income



The two charts presented above detail the percent of personal income derived from net earnings, as well as dividends, interest, and rent in each of the counties, as well as throughout the region. As we see in the first chart, Milwaukee County reported a much smaller percentage of personal income from earnings (67.4%) than the region, as a whole (70.1). Similarly, this figure appears remarkably small when viewed in comparison to those rates noted in Ozaukee (69.2%), Washington (74.9%), and Waukesha County (74.0%). Conversely, while Washington County residents did report a lower percentage of personal income from dividends, interest, and rent (15.3) than either Milwaukee County (15.6) or the region (16.7), this disparity is offset by the strong presence of net earnings among the county's residents. This being said, it is rather troubling, but not surprising that Milwaukee County is eclipsed by both Ozaukee (23.3%) and Waukesha County (17.4%) County on this measure, given the relatively high per capita personal income in these counties. Given the relative stagnancy of transfer receipts as a low-growth income component, the residents of Milwaukee County must focus on growth in either of these other two categories as a means of increasing both total and per capita personal income. One interesting item of note in this discussion is, of course, the role that pension earnings have played in influencing income growth among the region's aging population. As both private and public pension (such as Social Security insurance) earnings are considered as either dividends or interest payments, it would seem reasonable to assume that residents in Ozaukee and Waukesha County are somewhat more dependent on these earnings as a component of their personal wealth. However, this does not appear to be the case as pension receipts have generally declined as component of personal income over the past five to seven years. Consequently, earnings in this area have continued to accrue as the result of private investments or wealth-generating holdings, such as rental properties. Given the relatively smaller number of public and private employers that continue to offer retirement or pension benefits, the dynamic nature of this component yields some uncertainty as to future trends.

Labor Force and Employment Data

	Second Quarter 2006			
	Labor Force	# of Employed	# of Unemployed	Unemploy. Rate
Milwaukee County	460,500	432,400	28,200	6.1%
Ozaukee County	48,200	46,300	1,900	3.8%
Washington County	71,800	68,700	3,100	4.3%
Waukesha County	213,100	204,700	8,400	3.9%
Mil/Wauk/W Allis MSA	793,600	752,200	41,400	5.2%
Brookfield City	20,200	19,500	700	3.6%
Franklin City	18,100	17,400	700	3.9%
Greenfield City	20,200	19,300	900	4.5%
Menomonee Falls Village	18,800	18,100	700	4.0%
Milwaukee City	270,900	250,700	20,200	7.5%
New Berlin City	22,200	21,400	900	3.9%
Oak Creek City	19,300	18,600	800	4.0%
Waukesha City	39,200	37,200	2,000	5.1%
Wauwatosa City	24,800	23,700	1,000	4.2%
West Allis City	32,700	31,000	1,700	5.3%
West Bend City	16,300	15,400	1,000	5.9%
Wisconsin	3,085,300	2,937,000	148,400	4.8%
United States	151,354,700	144,315,000	7,039,700	4.7%
Change Compared to Previous Quarter				
Milwaukee County	8,500	7,900	600	0.0%
Ozaukee County	860	850	10	0.0%
Washington County	990	1,260	-260	-0.4%
Waukesha County	3,300	3,740	-450	-0.3%
Mil/Wauk/W Allis MSA	13,700	13,800	-100	-0.1%
Brookfield City	360	360	10	0.0%
Franklin City	330	320	10	0.0%
Greenfield City	320	350	-30	-0.2%
Menomonee Falls Village	310	330	-20	-0.2%
Milwaukee City	4,940	4,580	360	0.0%
New Berlin City	380	390	-10	-0.1%
Oak Creek City	310	340	-30	-0.2%
Waukesha City	560	680	-120	-0.4%
Wauwatosa City	490	430	50	0.1%
West Allis City	540	570	-30	-0.2%
West Bend City	100	280	-170	-1.1%
Wisconsin	42,500	59,170	-16,650	-0.6%
United States	1,753,700	2,232,670	-478,670	-0.4%
Change Compared to Same Quarter, Previous Year				
Milwaukee County	2,700	2,400	400	0.0%
Ozaukee County	340	260	80	0.1%
Washington County	440	380	60	0.1%
Waukesha County	1,090	1,130	-50	0.0%
Mil/Wauk/W Allis MSA	4,600	4,200	500	0.0%
Brookfield City	110	110	0	0.0%
Franklin City	70	100	-20	-0.1%
Greenfield City	110	110	0	0.0%
Menomonee Falls Village	110	100	10	0.0%
Milwaukee City	1,510	1,390	130	0.0%
New Berlin City	150	120	30	0.1%
Oak Creek City	110	100	0	0.0%
Waukesha City	280	210	70	0.2%
Wauwatosa City	170	130	40	0.1%
West Allis City	200	170	20	0.0%
West Bend City	60	90	-20	-0.1%
Wisconsin	42,600	39,700	2,950	0.0%
United States	2,260,300	2,809,330	-549,000	-0.4%

Moving away from our discussion of past changes in personal income to an analysis of more recent and timely labor market information, we see that the average unemployment rate for the Milwaukee-Waukesha-West Allis Metropolitan Statistical Area (MSA) for the second quarter of 2006 was 5.2 percent, which is relatively higher than either the state or national rates for the same period (4.8 and 4.7 percent, respectively). This result is not highly unusual, given that the second quarter includes two months — May and June when the local labor market is particularly dynamic due to interest in seasonal and summer employment. This is reflected in the significant increases in the labor force and number of employed workers from the first quarter. Similarly, both the labor force (+4,600) and employment (+4,200) levels for the region are higher than the same period last year, suggesting that interest in seasonal employment, which is typically concentrated in the construction, retail trade, and leisure and hospitality sectors remains quite strong.

In looking at these same figures locally, we see a relatively similar pattern. Of the region's four counties, we see that only Milwaukee County (6.1 percent) registered a second quarter average unemployment rate that was higher than either the state or national averages. Similarly, no county experienced an increase in this rate when compared to the first quarter, with both Washington and Waukesha County experiencing modest decreases in the number of unemployed individuals in these counties. This sense of stability continues when comparing the average unemployment rates to those in the second quarter 2005. In aggregate, these indicators suggest that the local labor market continues to be relatively stable.

In examining notable changes in the region's industries over the course of the second quarter, we see significant seasonal increases in both construction and leisure and hospitality employment, while expected gains in retail employment continue to show a pattern of modest growth in 2006. Given the timing of the opening of such large-scale projects as Bayshore Towne Center and the new Cabela's store in Washington County, both of which are slated to open in either the late third or early fourth quarter, one should anticipate a solid rebound in retail employment towards the end of 2006.

Finally, and perhaps most significantly, the region continued to see measured gains in manufacturing employment in the second quarter, such that the sector now employs 400 more individuals than at this point last year.

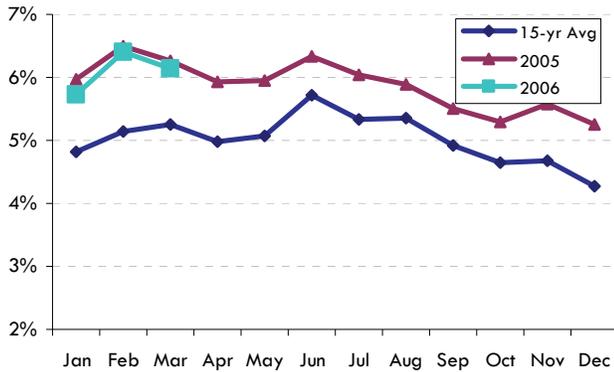
Local/State/National Quarterly Industry Employment

	Avg. # of Nonfarm Jobs by Industry Sector			Industry Sector as a % of Total Nonfarm Employment		
	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA	United States	Wisconsin	Milwaukee - Waukesha - W.Allis MSA
	Q2-2006	Q2-2006	Q2-2006	Q2-2006	Q2-2006	Q2-2006
All Industries	135,753,500	2,883,800	841,400	100.0%	100.0%	100.0%
Construction/Natural Resources	8,231,000	141,700	36,900	6.1%	4.9%	4.4%
Manufacturing	14,262,300	506,300	134,600	10.5%	17.6%	16.0%
Retail Trade	21,008,000	311,900	77,200	15.5%	10.8%	9.2%
Wholesale Trade	5,858,300	118,700	40,400	4.3%	4.1%	4.8%
Transport/Warehouse/Utilities	15,149,800	107,100	28,700	11.2%	3.7%	3.4%
Financial Activities	8,330,000	159,100	59,000	6.1%	5.5%	7.0%
Education and Health Services	17,705,700	395,400	135,900	13.0%	13.7%	16.2%
Leisure and Hospitality	13,251,000	268,500	70,800	9.8%	9.3%	8.4%
Info./Prof./Bus.and Other Services	25,816,300	453,700	166,200	19.0%	15.7%	19.8%
Information	3,067,300	49,100	17,700	2.3%	1.7%	2.1%
Professional and Business Services	17,314,000	267,500	107,300	12.8%	9.3%	12.8%
Other Services	5,435,000	137,100	41,200	4.0%	4.8%	4.9%
Fed/State/Local Government	22,175,700	421,300	91,600	16.3%	14.6%	10.9%
	Change in Avg. # of Jobs Compared to Previous Quarter			% Change in Avg. # of Jobs Compared to Previous Quarter		
All Industries	2,473,600	77,900	24,600	5.1%	4.2%	2.1%
Construction/Natural Resources	521,000	17,600	4,100	17.2%	23.8%	20.5%
Manufacturing	135,000	4,000	1,500	0.5%	1.6%	0.8%
Retail Trade	65,900	2,600	500	2.6%	1.1%	-5.0%
Wholesale Trade	89,600	2,400	900	4.9%	3.3%	1.4%
Transport/Warehouse/Utilities	71,400	4,400	1,300	4.9%	1.1%	-5.3%
Financial Activities	112,700	2,000	1,300	4.8%	0.7%	3.6%
Education and Health Services	68,300	5,600	2,800	5.1%	4.4%	3.1%
Leisure and Hospitality	802,700	19,300	5,100	11.4%	14.2%	10.6%
Info./Prof./Bus.and Other Services	528,700	18,000	7,100	5.9%	4.0%	1.6%
Information	11,000	200	100	-1.9%	-0.7%	-2.2%
Professional and Business Services	440,000	15,000	6,800	9.1%	6.2%	3.1%
Other Services	77,700	2,800	200	1.2%	1.8%	-0.6%
Fed/State/Local Government	78,300	1,900	0	1.9%	0.7%	-0.9%
	Change in Avg. # of Jobs Compared to Same Quarter in 2005			% Change in Avg. # of Jobs Compared to Same Quarter in 2005		
All Industries	3,838,500	29,300	-1,800	2.9%	1.0%	-0.2%
Construction/Natural Resources	653,300	5,500	1,600	8.6%	4.1%	4.5%
Manufacturing	-90,000	900	400	-0.6%	0.2%	0.3%
Retail Trade	189,700	-1,300	-5,100	1.3%	-0.4%	-6.2%
Wholesale Trade	196,500	1,000	-100	3.5%	0.8%	-0.3%
Transport/Warehouse/Utilities	163,900	-2,100	-1,200	3.4%	-1.9%	-4.0%
Financial Activities	277,000	-400	1,700	3.4%	-0.2%	3.0%
Education and Health Services	770,700	11,900	2,900	4.6%	3.1%	2.2%
Leisure and Hospitality	559,700	8,100	800	4.4%	3.1%	1.2%
Info./Prof./Bus.and Other Services	787,700	4,700	-1,400	3.1%	1.0%	-0.8%
Information	-82,300	-800	-400	-2.6%	-1.6%	-2.2%
Professional and Business Services	894,300	5,200	-100	5.4%	2.0%	-0.1%
Other Services	-24,300	300	-900	-0.4%	0.2%	-2.1%
Fed/State/Local Government	330,000	1,000	-1,400	1.5%	0.2%	-1.5%

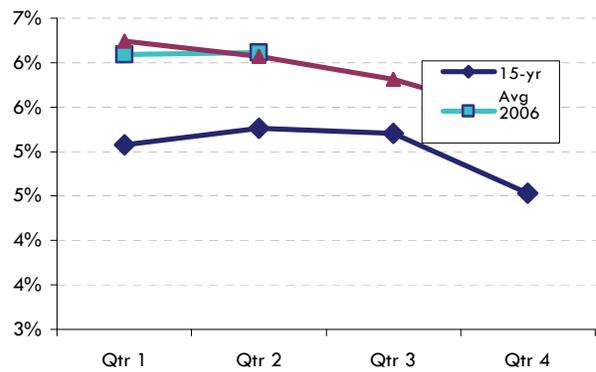
Source: DWD Office of Economic Advisors analysis of Current Employment Statistics (CES) data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. These not seasonally adjusted, preliminary figures are rounded and may not sum to the all industries total.

Second Quarter Economic Indicators

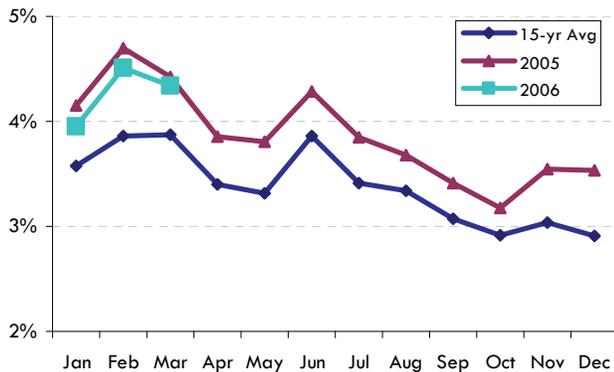
MILWAUKEE COUNTY WDA-2 Unemployment Rates



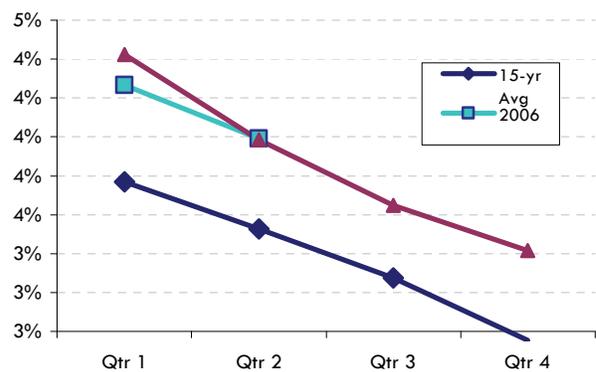
MILWAUKEE COUNTY WDA-2 Unemployment Rate



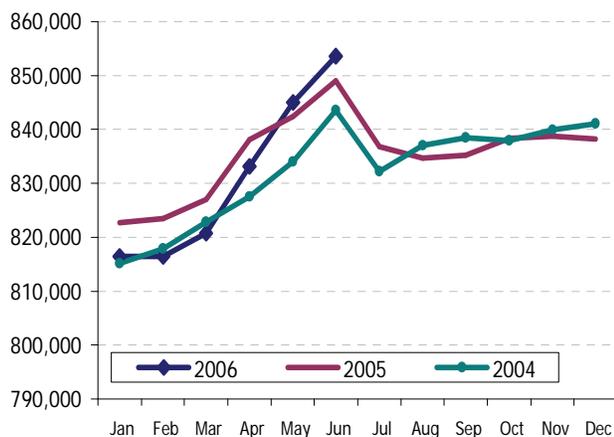
WOW WDA-3 Unemployment Rates



WOW WDA-3 Unemployment Rate



Total Nonfarm Jobs in Milwaukee-Waukesha-West Allis



Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter				over yr Qtr 2 2005
	Qtr 3 2005	Qtr 4 2005	Qtr 1 2006	Qtr 2 2006	
United States	1.2%	0.5%	0.5%	1.7%	4.0%
Midwest cities (50,000-1.5 million pop.)	1.5%	1.6%	0.2%	0.2%	3.5%
Midwest cities (less than 50,000 pop.)	1.4%	1.7%	0.3%	0.2%	3.7%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	0.8%	0.6%	0.7%	0.9%	3.0%
Private industry total compensation	0.6%	0.5%	0.8%	0.9%	2.8%
Local & state govt. total compensation	2.0%	0.9%	0.5%	0.4%	3.8%
Civilian wages	0.7%	0.6%	0.7%	0.8%	2.8%
Private wages	0.6%	0.5%	0.7%	1.0%	2.8%
Local & state government wages	1.3%	0.9%	0.3%	0.5%	3.1%
Civilian benefits	1.2%	0.5%	0.9%	0.7%	3.4%
Private industry benefits	0.7%	0.3%	1.0%	0.7%	2.7%
Local & state government benefits	3.1%	1.0%	0.7%	0.6%	5.5%

Source: US Bureau of Labor Statistics

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 or find more labor market information at <http://dwd.wisconsin.gov/oea>